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# Section 108 Loan Program

## *Fact Sheet*

The Section 108 Loan Guarantee Program, a component of the Massachusetts Community Development Block Grant Program (CDBG), is designed to assist revenue producing development activities. The program provides access to federal loans for gap financing to cities and towns for economic or housing development projects undertaken by the municipality or by a business.

### How it works

The Section 108 Loan Guarantee Program supports local economic and housing development projects within the smaller communities of the Commonwealth.

Section 108 loan funding is provided through the sale of bonds by the U.S. Department of Housing and Urban Development (HUD) to private investors. To protect the bondholders' investment, the Commonwealth pledges to HUD a portion of its annual Community Development Block Grants as a guarantee of loan repayment. HUD also requires additional security/collateral from local non-CDBG sources.

### Who is eligible

- Municipalities with a population under 50,000 **and**
- Municipalities which do not receive CDBG funds directly from the federal Department of Housing and Urban Development (HUD).

### Eligible projects

Revenue producing economic and housing development projects such as:

- acquisition of real estate;
- purchase of capital equipment;
- new construction or rehabilitation of industrial/commercial buildings and housing projects which show tenant commitments;
- infrastructure improvements for economic development or housing purposes that benefit low- and moderate-income people.

(continued)

**Application Process**

Applications are accepted on an ongoing basis throughout the program year. As with all CDBG programs, projects must meet at least one of the following national objectives: benefit low and moderate income residents of a community by retaining or creating jobs; remove slums or blight; or address a critical community need. The applicant community and/or the private sector or nonprofit entity must document commitment of the non-Section 108 loan portion of project funding with the application. A community must be housing certified under Executive Order 418 to apply to the Section 108 Loan Program.

**Loan amounts**

The state will guarantee eligible gap financing of projects for up to 40% of the total project costs provided that the minimum guarantee meets or exceeds \$500,000 and the maximum guarantee does not exceed \$5 million. Loan terms may be up to 20 years.

In the case of certain infrastructure projects, the 40% limit may be exceeded on a project-by-project basis. Where job creation is one of the declared objectives, a ratio of one job for every \$20,000 loan amount is used.

**For more information**

Please contact DHCD's Division of Municipal Development at (617) 727-7001. The staff is also available by appointment to provide assistance with applications.